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Southwest NY Dairy, Livestock and Field Crops Program

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Dairy Market Watch
Newsletter
January 2021

An educational newsletter to keep producers informed of changing market factors affecting the dairy industry.

Milk Component Prices			Milk Class Prices				Statistical Uniform Price & PPD				
Month	Butterfat	Protein	I (Boston)	II	III	IV	Jamestown, NY		Albany, NY		Albany \$/gal. to farmer
Dec 19	\$2.19	\$3.65	\$22.58	\$16.81	\$19.37	\$16.70	\$18.13	(\$1.24)	\$18.73	(\$0.64)	\$1.61
Jan 20	\$2.11	\$2.96	\$22.26	\$17.05	\$17.05	\$16.65	\$17.63	\$0.58	\$18.23	\$1.18	\$1.57
Feb 20	\$1.98	\$3.03	\$20.80	\$16.84	\$17.00	\$16.20	\$16.97	(\$0.03)	\$17.57	\$0.57	\$1.51
Mar 20	\$1.92	\$2.84	\$20.71	\$16.75	\$16.25	\$14.87	\$16.59	\$0.34	\$17.19	\$0.94	\$1.48
Apr 20	\$1.32	\$2.48	\$19.89	\$13.87	\$13.07	\$11.40	\$13.77	\$0.77	\$14.37	\$1.30	\$1.24
May 20	\$1.38	\$2.09	\$16.20	\$12.30	\$12.14	\$10.67	\$12.32	\$0.18	\$12.92	\$0.78	\$1.11
June 20	\$1.86	\$4.53	\$14.67	\$12.99	\$21.04	\$12.90	\$14.51	(\$6.53)	\$15.11	(\$5.93)	\$1.30
July 20	\$1.95	\$5.62	\$19.81	\$13.79	\$24.54	\$13.76	\$17.93	(\$6.61)	\$18.53	(\$6.01)	\$1.60
Aug 20	\$1.63	\$4.44	\$23.03	\$13.27	\$19.77	\$12.53	\$16.87	(\$2.90)	\$17.47	(\$2.30)	\$1.51
Sep 20	\$1.59	\$3.39	\$21.69	\$13.16	\$16.43	\$12.75	\$15.65	(\$0.78)	\$16.25	(\$0.18)	\$1.40
Oct 20	\$1.64	\$5.01	\$18.45	\$13.63	\$21.61	\$13.47	\$15.92	(\$5.69)	\$16.52	(\$5.09)	\$1.41
Nov 20	\$1.56	\$5.62	\$21.29	\$13.86	\$23.34	\$13.30	\$17.12	(\$6.22)	\$17.72	(\$5.62)	\$1.53
Dec 20	\$1.54	\$3.03	\$23.12	\$14.01	\$15.72	\$13.36	\$16.11	\$0.39	\$16.71	\$0.99	\$1.44

December Utilization (Northeast): Class I = 31.8%; Class II = 20.8%; Class III = 25.0%; Class IV = 22.4%.

Class I = fluid milk; Class II = soft products, cream, and yogurt; Class III = cheese (American, Italian), evaporated and condensed products; Class IV = butter and milk powder.

Dairy Commodity Markets (USDA Dairy Market News – Volume 88, Report 3, January 22nd, 2021)

Cheese: Cheese production has regained momentum in the third week of the year. Growing milk supplies, with lighter Class I demand than in previous years, kept spot milk at steep discounts. Spot milk ranged from \$8.50 under to \$4 under. Prices last year bottomed out at \$3.50 under, while two years ago slight overages were reported and the low was \$2 under Class. Typically, schools returning from holiday breaks would spread milk a little thinner. However, with limited in-person activity at schools throughout the country, more milk is bound for the cheese vat. Additionally, a fairly mild winter in many parts of the country has milk levels higher ahead of the spring. Cheese inventories have grown, and even with the food box continuation announced, market tones have responded more to active production/heavy milk supplies than they have to the governmental program news.

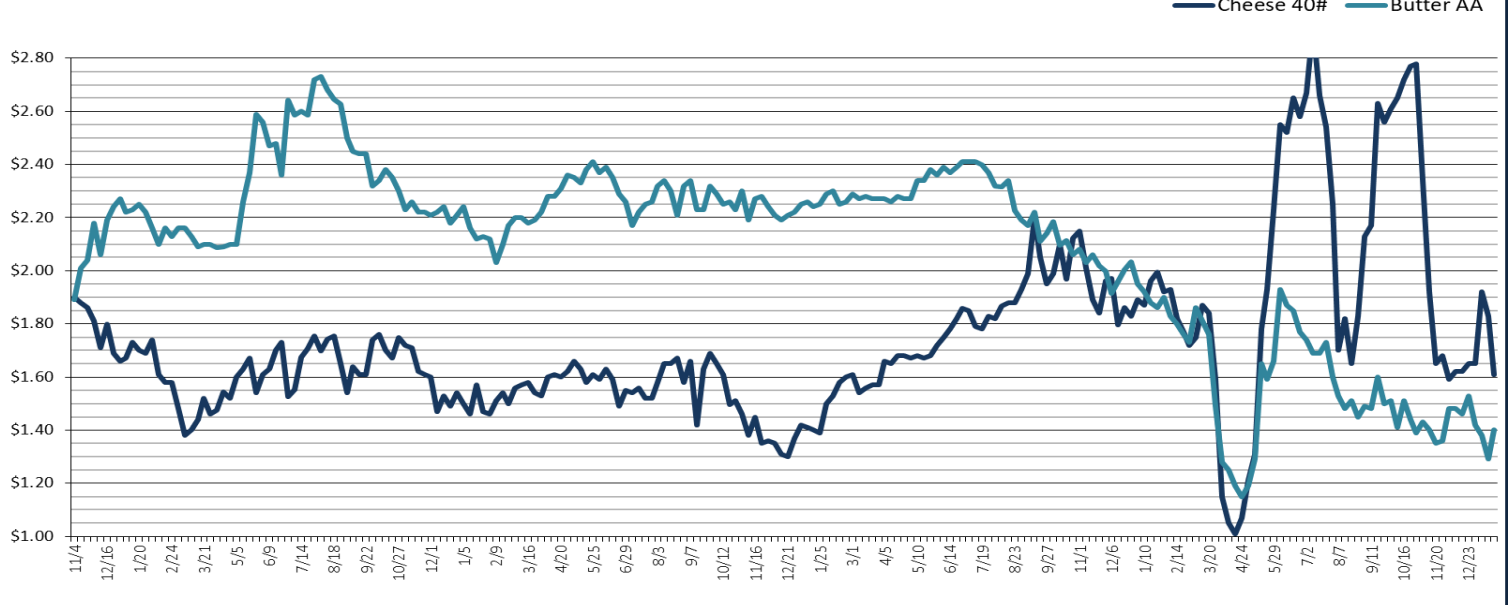
Fluid Milk: Western milk production is described as stable, steady, and strong. Mild winter weather has helped milk production in the East, Midwest, Idaho, Utah, Colorado, and New Mexico. Milk production in the rest of the country is growing. Cream is readily available in the East and Central Region. California cream spot sales are steady to down and most condensed skim loads are clearing through the dryers.

Dry Products: Low/medium heat nonfat dry milk prices are higher in every facet in the East and Central Regions. The focus is contracting, leaving limited spot market offerings. Dry buttermilk prices are steady to higher. Available dryer time is limited because nonfat dry milk is being given preference. That limits dry buttermilk production, or results in more sales of condensed buttermilk. Export interest is strong.

Butter: Nationwide, butter producers are reporting similar tones this week to last week; churning is busy, as cream remains readily available. Butter production is generally heavy as runs include salted and unsalted butter. As butter interest typically declines after the holidays, demand for wholesale bulk butter is moderate and buyers generally order as needed. Having said this, retail sales are being impacted by the seasonal dip in demand. Contacts say butter inventories are steadily building into cold storage.

Friday CME Cash Prices					
Dates	12/23	12/31	1/8	1/15	1/22
Butter	\$1.53	\$1.42	\$1.38	\$1.29	\$1.40
Cheese (40# Blocks)	\$1.65	\$1.65	\$1.92	\$1.83	\$1.61

Weekly Average CME Cash Price - 2016 to Present



What will 2021 bring? A somewhat candid reflection.

By Katelyn Walley-Stoll, Farm Business Management Specialist, Cornell Cooperative Extension

Usually, I reserve the January issue of Dairy Market Watch for a thoughtful reflection on the previous year's milk market. I discuss the highs, the lows, the seasonal changes, and the subtle nuisances that accompany such a complex marketing and price system. Then, I try to summarize predictions of what the new year will bring, tying together thoughtful projections and carefully calculated forecasts done by industry experts who have a whole lot more wisdom and experience than I do.

However, as I sit down to gather all of the information for this month's Dairy Market Watch, I have to say this is a much different, and less articulate, reflection than I'd normally have... My summary for 2020: What the heck. And my carefully summarized prediction for 2021: I dunno.

I think that 2020 has taught us all that our predictions and expectations can very quickly be thrown out the window, even on a worldwide milk market scale. There are several things that will come into play through this new year.

We've already seen government initiatives that provide dairy product purchases support milk prices, and these could continue with new rounds in the coming months under a new administration. We at least know that the current Farms to Families Food Box Program will run through April, along with Section 32 product purchases, and the \$400 million Dairy Donation Program. We've also seen strong household purchases of dairy products as people continue to cook at home and eat comfort foods (I know our house has had a steady rotation of milk and cereal, pizza, mac and cheese, and ice cream). We can also expect a big surge of restaurant and wholesale purchases later in the year when things open again. However, milk production continues to run higher than expected. December milk production was 3.1% higher than a

year ago with 1.1% more cows. Dairy stocks are also building, which will create less demand from buyers. As Bob Cropp highlighted in his [January 2021 Dairy Situation and Outlook](#), December 31st butter stocks were 44.4% higher than a year ago along with a 5.7% increase in total cheese stocks. This higher supply and lower demand is affecting cheese and butter prices negatively, and could continue to do so throughout 2021. Dairy sales, both domestic and international, will remain lower than "normal" for as long as the world contends with COVID-19.

Then there is the question of what effects the COVID-19 pandemic will continue to have as we experience another major spike across the country and face the challenge of new strains and a taxed healthcare system. The worldwide recession that we're just beginning to understand will not be easy to come back from.

So – what will 2021 bring? [USDA has forecasted](#) Class III to average \$16.90, compared to \$18.25 last year, and Class IV to average \$14.10, compared to \$13.48 last year. While [some industry experts are forecasting higher](#) (Class III in the mid \$17's and Class IV in the mid \$16's), I think it's safe to say that we'll just have to wait and see how markets are able to recover from an unprecedented pandemic.

A Note: Huge kudos and thanks to my colleague and our team's Dairy Management Specialist, Alycia Drwencke, for covering Dairy Market Watch over the past few months. I appreciate her effort and willingness to jump right in while I was out on maternity leave! In September, our family welcomed baby #4, which has been a bright ray of sunshine and hope in such dark and uncertain times. I hope you and your family are safe and healthy as we start our new year!